

Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of September 30, 2015 and
December 31, 2014 and for the nine-month periods ended September
30, 2015 and 2014

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Consolidated statements of financial position

As of September 30, 2015 (unaudited) and December 31, 2014 (audited)

	Note	2015 S/.(000)	2014 S/.(000)		Note	2015 S/.(000)	2014 S/.(000)
Assets				Liabilities and equity			
Cash and due from banks:	3			Deposits and obligations:	8		
Non-interest bearing		1,774,056	1,705,611	Non-interest bearing		4,545,769	4,366,859
Interest bearing		4,367,383	3,741,755	Interest bearing		21,169,191	19,014,568
Restricted funds		3,509,698	911,138			<u>25,714,960</u>	<u>23,381,427</u>
		<u>9,651,137</u>	<u>6,358,504</u>	Inter-bank funds		250,024	-
Inter-bank funds		95,443	310,030	Due to banks and correspondents	9	6,334,405	3,140,914
Trading securities		36,287	105,782	Bonds, notes and other obligations	10	4,756,179	4,565,288
Investments available-for-sale	4	8,425,180	8,303,176	Due from customers on acceptances		16,693	18,833
Held to maturity investments		472,911	-	Insurance contract liabilities	11	4,217,962	3,743,007
Loans, net:	5			Accounts payable, provisions and other liabilities	7	1,452,224	1,203,083
Loans, net of unearned income		26,411,956	23,436,885	Deferred income tax liability, net		<u>3,671</u>	<u>10,401</u>
Allowance for loan losses		(989,280)	(819,678)	Total liabilities		<u>42,746,118</u>	<u>36,062,953</u>
		<u>25,422,676</u>	<u>22,617,207</u>	Equity	12		
Investment property	6	695,202	652,881	Equity attributable to Group's shareholders:			
Property, furniture and equipment, net		565,411	577,202	Capital stock		963,446	963,446
Due from customers on acceptances		16,693	18,833	Treasury stock		(322,126)	(285,776)
Accounts receivable and other assets, net	7	1,472,875	1,411,312	Capital surplus		268,077	268,077
Deferred income tax asset, net		40,843	10,300	Reserves		2,000,000	-
Total assets		<u>46,894,658</u>	<u>40,365,227</u>	Unrealized results, net		(456,240)	141,707
				Retained earnings		<u>1,581,354</u>	<u>3,103,600</u>
						4,034,511	4,191,054
				Non-controlling interest		<u>114,029</u>	<u>111,220</u>
				Total equity		<u>4,148,540</u>	<u>4,302,274</u>
				Total liabilities and equity		<u>46,894,658</u>	<u>40,365,227</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Consolidated income statements

For the nine-month periods ended September 30, 2015 and 2014

	Note	2015 S/.(000)	2014 S/.(000)
Interest and similar income	14	2,430,728	2,069,546
Interest and similar expenses	14	(661,837)	(586,137)
Net interest and similar income		<u>1,768,891</u>	<u>1,483,409</u>
Provision for loan losses, net of recoveries	5(b)	(463,334)	(319,669)
Net interest and similar income after provision for loan losses		<u>1,305,557</u>	<u>1,163,740</u>
Other income			
Fee income from financial services, net	15	603,632	507,137
Net gain on foreign exchange transactions		360,994	159,795
Net gain on sale of securities		133,315	106,864
Net trading income (loss)		(52,868)	18,227
Rental income		13,882	24,197
(Loss) profit from sale of investment property		(1,259)	5,814
Valuation gain from investment property	6(b)	24,316	29,336
Other	16	63,386	54,727
Total other income		<u>1,145,398</u>	<u>906,097</u>
Insurance premiums and claims			
Net premiums earned	17	338,350	104,861
Net claims and benefits incurred for life insurance contracts and others		(188,985)	(132,771)
Total premiums earned less claims and benefits		<u>149,365</u>	<u>(27,910)</u>
Other expenses			
Salaries and employee benefits		(517,163)	(475,640)
Administrative expenses		(558,285)	(500,985)
Depreciation and amortization		(82,714)	(78,634)
Impairment loss on available-for-sale investments	4(c)	(50,895)	(685)
Expenses related to rental income		(464)	(4,574)
Other	16	(89,696)	(72,719)
Total other expenses		<u>(1,299,217)</u>	<u>(1,133,237)</u>
Income before translation result and income tax		1,301,103	908,690
Translation result		(16,347)	(15,340)
Income tax	13(c)	(266,851)	(202,050)
Profit for the period		<u>1,017,905</u>	<u>691,300</u>
Attributable to:			
Equity holders of the Group		1,012,271	687,818
Non-controlling interest		5,634	3,482
		<u>1,017,905</u>	<u>691,300</u>
Basic and diluted earnings per share attributable to the Group (stated in Nuevos Soles)			
	18	<u>9.275</u>	<u>6.287</u>
Weighted average number of outstanding shares (in thousands)			
	18	<u>109,136</u>	<u>109,405</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of comprehensive income

For the nine-month periods ended September 30, 2015 and 2014

	2015 S/.(000)	2014 S/.(000)
Profit for the period	1,017,905	691,300
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealized (loss) gain on available-for-sale investments	(634,664)	78,871
Unrealized gain on cash flow hedges	2,442	4,952
Translation results of foreign operations	33,682	13,448
	<hr/>	<hr/>
Total comprehensive income for the year, net of income tax	419,365	788,571
Attributable to:		
Equity holders of the Group	414,324	785,034
Non-controlling interest	5,041	3,537
	<hr/>	<hr/>
	419,365	788,571

InterCorp Financial Services Inc. and Subsidiaries

Consolidated statements of changes in equity

For the nine-month periods ended September 30, 2015 and 2014

	Number of shares (in thousands)				Attributable to IFS Group shareholders										Non-controlling interest	Total equity
	Issued	In treasury	Capital stock	Other paid in capital	Treasury stock	Capital Surplus	Reserves	Unrealized results, net			Retained earnings	Total				
								Available-for-sale investments	Derivatives Instruments designated as cash flow hedges	Foreign currency translation reserve						
			\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)	\$:(000)		
Balances as of January 1, 2014	93,615	(3,315)	799,581	246,400	(227,707)	268,077	-	20,139	(10,607)	17,560	2,578,774	3,692,217	20,229	3,712,446		
Comprehensive income																
Net income	-	-	-	-	-	-	-	-	-	-	687,818	687,818	3,482	691,300		
Unrealized results																
Other comprehensive income	-	-	-	-	-	-	-	78,816	4,952	13,448	-	97,216	55	97,271		
Total comprehensive income	-	-	-	-	-	-	-	78,816	4,952	13,448	687,818	785,034	3,537	788,571		
Declared and paid dividends	-	-	-	-	-	-	-	-	-	-	(443,551)	(443,551)	-	(443,551)		
Dividends paid to minority shareholders in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(2,061)	(2,061)		
Net variation of treasury stock held by Subsidiaries, Note 12(b)	-	(433)	-	-	(48,284)	-	-	-	-	-	-	(48,284)	-	(48,284)		
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	-	16,775	16,775	-	16,775		
Spin-off of Inteligo Real Estate	-	-	-	(82,535)	-	-	-	-	-	-	1,941	(80,594)	80,594	-		
Transfer of Inteligo Group's capital stock, Note 1(b)	19,495	-	163,865	(163,865)	-	-	-	-	-	-	-	-	-	-		
Other	-	-	-	-	-	-	-	-	-	-	(775)	(775)	4,729	3,954		
Balances as of September 30, 2014	113,110	(3,748)	963,446	-	(275,991)	268,077	-	98,955	(5,655)	31,008	2,840,982	3,920,822	107,028	4,027,850		
Balances as of January 31, 2015	113,110	(3,750)	963,446	-	(285,776)	268,077	-	100,559	(3,423)	44,571	3,103,600	4,191,054	111,220	4,302,274		
Comprehensive income																
Net income	-	-	-	-	-	-	-	-	-	-	1,012,271	1,012,271	5,634	1,017,905		
Unrealized results																
Other comprehensive income	-	-	-	-	-	-	-	(634,071)	2,442	33,682	-	(597,947)	(593)	(598,540)		
Total comprehensive income	-	-	-	-	-	-	-	(634,071)	2,442	33,682	1,012,271	414,324	5,041	419,365		
Declared and paid dividends	-	-	-	-	-	-	-	-	-	-	(564,178)	(564,178)	-	(564,178)		
Dividends paid to minority shareholders in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(2,232)	(2,232)		
Net variation of treasury stock held by Subsidiaries, Note 12(b)	-	(540)	-	-	(36,350)	-	-	-	-	-	-	(36,350)	-	(36,350)		
Dividends received by Subsidiaries on treasury stock	-	-	-	-	-	-	-	-	-	-	19,374	19,374	-	19,374		
Purchase of new shares	-	-	-	-	-	-	-	-	-	-	(289)	(289)	-	(289)		
Transfer to reserves	-	-	-	-	-	-	2,000,000	-	-	-	(2,000,000)	-	-	-		
Other	-	-	-	-	-	-	-	-	-	-	10,576	10,576	-	10,576		
Balances as of September 30, 2015	113,110	(4,290)	963,446	-	(322,126)	268,077	2,000,000	(533,512)	(981)	78,253	1,581,354	4,034,511	114,029	4,148,540		

The accompanying notes are an integral part of the interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of cash flows

For the nine-month periods ended September 30, 2015 and 2014

	2015 S/.(000)	2014 S/.(000)
Operating activities		
Profit for the period	1,017,905	691,300
Adjust of net profit		
Add (deduct)		
Provision for loan losses, net of recoveries	463,334	319,669
Depreciation and amortization	82,714	78,634
Deferred income tax	25,256	(25,410)
Net gain on sale of securities	(136,705)	(112,678)
Impairment loss on available-for-sale investments	50,895	685
Valuation gain from investment property	(24,316)	(29,336)
Net trading (loss) income	52,868	(18,227)
Translation result	16,347	15,340
Increase in receivable interest accrued	(14,595)	(26,445)
Increase in payable interest accrued	94,944	48,160
Net changes in assets and liabilities		
Net increase in loans	(3,254,439)	(2,158,318)
Increase in restricted funds	(2,598,560)	(381,133)
Increase in other assets	(250,894)	(119,316)
Increase in deposits and obligations	2,304,930	354,332
Increase in other liabilities	1,013,329	687,002
Net cash used in operating activities	<u>(1,156,987)</u>	<u>(675,741)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of cash flows (continued)

	2015 S/.(000)	2014 S/.(000)
Investing activities		
Net increase of trading securities, available-for-sale and held to maturity investments	(979,848)	(1,830,095)
Sale of investments at fair value through profit or loss	16,628	4,244
Purchase of property, furniture and equipment	(35,952)	(46,927)
(Purchase) sale of investment property, net	(19,264)	220,850
Purchase of intangible assets	(57,612)	(38,208)
Net cash used in investing activities	<u>(1,076,048)</u>	<u>(1,690,136)</u>
Financing activities		
Net (decrease) increase in bonds, notes and other obligations	(136,294)	882,753
Net increase in due to banks and correspondents	3,165,201	133,688
Net decrease in receivable inter-bank funds	214,587	163,551
Net increase in payable inter-bank funds	250,024	(40,016)
Payments of dividends	(564,178)	(443,551)
Payments of dividends to minority shareholders	(2,232)	(2,061)
Net cash provided by financing activities	<u>2,927,108</u>	<u>694,364</u>
Net decrease in cash	694,073	(1,671,513)
Cash at the beginning of period	<u>5,447,366</u>	<u>7,207,201</u>
Cash at the end of period	<u>6,141,439</u>	<u>5,535,688</u>

Intercorp Financial Services Inc. and Subsidiaries

Notes to the consolidated financial statements

As of September 30, 2015 and December 31, 2014

1. Business activity and Group reorganization

(a) Business activity -

Intercorp Financial Services Inc. and Subsidiaries, hereinafter "IFS" or "the Company", is a limited liability holding company incorporated in the Republic of Panama on September 19, 2006 and is subsidiary of Intercorp Perú Ltd., hereinafter "Intercorp Perú", a holding company incorporated in 1997 in the Commonwealth of the Bahamas. As of September 30, 2015 and December 31, 2014, Intercorp Perú owns 78.08% and 77.60%, respectively, of IFS's issued capital stock (77.22% and 76.84% of IFS's outstanding capital stock).

As of September 30, 2015 and December 31, 2014, IFS held 99.30% of the capital stock of Banco Internacional del Peru S.A.A. – Interbank (hereinafter "Interbank") and 100% of Interseguro Compañía de Seguros S.A. (hereinafter "Interseguro") and Inteligo Group Corp. The operations of Interbank and Interseguro are concentrated in Peru and the operations in Inteligo Group are concentrated in Panama and Peru, see note 1(b).

IFS's legal domicile is located at Av. Carlos Villarán 140 Urb. Santa Catalina, La Victoria, Lima, Perú.

The main activities of IFS's Subsidiaries and their assets, liabilities and equity, are presented in Note 1(c).

The consolidated financial statements of IFS and Subsidiaries as of September 30, 2015 were approved by the Board of Directors held on November 11, 2015. The consolidated financial statements of IFS and Subsidiaries as of December 31, 2014 were approved by the General Shareholders' Meeting held on April 14, 2015.

(b) Group reorganization -

As of December 31, 2013, Intercorp Perú held 100% of Inteligo Group Corp. capital stock. At that date, Inteligo Group Corp., a holding corporation incorporated in the Republic of Panama, held 100% of the capital stock of Inteligo Bank Ltd. (hereinafter "Inteligo Bank"), Inteligo Sociedad Agente de Bolsa S.A., Inteligo Real Estate Corp. and Inteligo Real Estate Perú S.A.C.

The reorganization of Inteligo Group Corp. and IFS was approved on July 16, and July 18, 2014. The effective date was August 1, 2014 and included: (i) the spin-off of Inteligo Group's real estate subsidiaries to Intercorp Perú Ltd.; and, (ii) the contribution of all of the outstanding shares of Inteligo Group to IFS in exchange of 19,495,413 new shares issued by IFS to Intercorp Perú.

The exchange ratio was of 23.28 shares of IFS per one share of Inteligo Group Corp. and was fixed based on the Lima Stock Exchange quotation as of the date of the transaction. After this reorganization IFS holds 100% of Inteligo Group Corp. and Subsidiaries and Intercorp Perú increased its holding of IFS issued capital stock to 77.60% (76.84% of IFS's outstanding capital stock).

Notes to the consolidated financial statements (continued)

Given that the reorganization did not lead to a change in Intercorp Peru's control of Inteligo Group Corp. and Subsidiaries, now grouped under IFS, in accordance with the IFRS, the reorganization is considered a transaction among entities under common control. As a result, the reorganization was accounted for using the pooling-of-interest method, thus giving retroactive effect to the reorganization as if it had occurred in the beginning of the earliest period presented; also, no fair value adjustment or goodwill was recognized and all amounts have been accounted for at their book values. The main effect of giving retroactive treatment to the reorganization under common control is that the "Capital stock" caption in these consolidated financial statements reflects only the balance related to IFS, the total equity amount remains the same, and Inteligo Group Corp's capital stock is presented as "Other paid-in capital" until August 1, 2014, which is the effective date of the reorganization, when it was then transferred to the caption "Capital stock" to reflect the new shares issued by IFS in order to perform the reorganization.

Under consolidated basis, total net assets of Inteligo Group Corp. as of August 1, 2014 amounted to S/.509,973,000, of which S/.80,594,000 was transferred to Intercorp Perú as a result of the afore mentioned spin-off and the remaining S/.429,379,000 were contributed to IFS.

(c) Subsidiaries

IFS's Subsidiaries are the following:

(i) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries -

Interbank is incorporated in Peru and is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (hereafter "the SBS", for its Spanish acronym) to operate as a universal bank in accordance with Peruvian legislation. The Bank's operations are governed by the General Act of the Financial and Insurance System and the Organic Act of the Superintendence of Banks and Insurance SBS - Act 26702 (hereafter the "Banking and Insurance Act"), that establishes the requirements, rights, obligations, restrictions and other operating conditions that Peruvian financial and insurance entities must comply with.

As of September 30, 2015 and December 31, 2014 Interbank had 288 and 287 offices, respectively and a branch established in the Republic of Panama. Additionally, it holds 100% of the shares of the following Subsidiaries:

Entity	Activity
Interfondos S.A. Sociedad Administradora de Fondos	Manages mutual funds and investment funds.
Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	Manages securitization funds.
Inversiones Huancavelica S.A.	Real estate activities.
Contacto Servicios Integrales de Crédito y Cobranzas S.A.	Collection services
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate activities.
Compañía de Servicios Conexos S.A. – Expressnet	Services related to credit card transactions or products related to the brand "American Express".
IBK Securitizadora	A consolidated special purpose entity (SPE), by which Interbank issued negotiable long.

Notes to the consolidated financial statements (continued)

(ii) Interseguro Compañía de Seguros S.A. and Subsidiaries -

Interseguro is incorporated in Peru and its operations are governed by the Banking and Insurance Act. It is authorized by the SBS to issue life and general risk insurance contracts and owns the following Subsidiary:

Entity	Activity
Centro Comercial Estación Central S.A.	Administration of "Centro Comercial Estación Central", located in downtown Lima. As of September 30, 2015 and December 31, 2014 Interseguro holds 75 % of its shares.
Empresa Administradora Hipotecaria S.A.	Was established in February 2014 in Peru; does not have operations. As of September 30, 2015 and December 31, 2014, Interseguro holds 100 percent of its shares and has a paid in capital of S/2,550.

Patrimonio Fideicometido D.S.093-2002-EF, Interproperties Perú (herein after "the Patrimonio Fideicometido – Interproperties Perú") is a structured entity, incorporated in April 2008, in which several investors contributed investment properties; each investor or investors have ownership of and controls the specific contributed investment property. The fair values include in this structured entity as of September 30, 2015 and December 31, 2014, amounted to S/512,724,000 and S/434,000,000, respectively, see Note 6 for further details. For accounting purposes these assets included in this structure are considered "silos" under IFRS 10 because they are ring-fenced parts of the wider structured entity (the Patrimonio Fideicometido - Interproperties Perú). The Group has ownership of and decision making power over these properties, and the Group has the exposure or rights to their returns; therefore, the Group has consolidated the silos containing the investment properties that it controls.

(iii) Inteligo Group Corp. and Subsidiaries

Inteligo Group Corp. is a holding corporation incorporated in the Republic of Panama. As of September 30, 2015 and December 31, 2014, it holds 100 percent of the shares of the following Subsidiaries:

Entity	Activity
Inteligo Bank Ltd.	It is incorporated in The Commonwealth of the Bahamas and has a branch established in the Republic of Panama that operates under an international license issued by the Superintendence of Banks of the Republic of Panama. Its main activities are private banking services.
Inteligo Sociedad Agente de Bolsa S.A. -	It is incorporated in Peru and provides brokerage services.

Until August 1, 2014, Inteligo Group Corp. held 100 percent of the capital stock of Inteligo Real Estate Corp. and Inteligo Real Estate Perú S.A.C. At said date, Inteligo Group Corp. performed a spin-off of these Subsidiaries to Intercorp Perú, as explained in Note 1(b).

(iv) San Borja Global Opportunities S.A.C. (previously AFP Interactiva S.A.)

Its corporate purpose is the acquisition and holding of shares and securities. As of September 30, 2015, it did not have operations and maintains paid in capital amounting to S/1,000.

Notes to the consolidated financial statements (continued)

The table below presents a summary of the financial statements under IFRS of the main Subsidiaries before adjustments for consolidation, as of September 30, 2015 and December 31, 2014:

	Interbank and Subsidiaries		Interseguro Compañía de Seguros S.A. and Subsidiaries		Inteligo Group Corp. and Subsidiaries	
	2015	2014	2015	2014	2015	2014
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Consolidated statements of financial position						
Trading securities and available-for-sale investments	4,320,380	3,560,366	3,874,098	3,912,047	1,004,939	1,138,862
Loans, net	23,783,873	21,186,928	-	-	1,638,826	1,430,304
Investment property	-	-	695,202	652,881	-	-
Total assets	39,317,501	32,904,861	4,983,050	4,743,443	2,943,200	2,934,118
Deposits and obligations	23,528,937	21,124,096	3,073	-	2,316,460	2,314,548
Due to banks and correspondents	6,308,886	3,219,075	54,613	-	64,494	119,726
Bonds, notes and other obligations	4,488,509	4,197,227	179,490	167,492	-	-
Insurance contracts liabilities	-	-	4,217,962	3,743,007	-	-
Total liabilities	35,784,319	29,628,640	4,671,409	4,052,058	2,413,318	2,455,471
Equity attributable to Group's shareholders	3,533,182	3,276,221	222,203	603,073	529,882	478,647
Non-controlling interest – equity	-	-	89,438	88,312	-	-
For the nine-month period ended September, 30						
	Interbank and Subsidiaries		Interseguro Compañía de Seguros S.A. and Subsidiaries		Inteligo Group Corp. and Subsidiaries	
	2015	2014	2015	2014	2015	2014
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Consolidated income statements						
Interest and similar income and expenses, net	1,543,040	1,317,959	182,392	140,465	60,218	39,624
Allowance for loan losses, net of recoveries	(461,455)	(319,669)	-	-	(1,879)	-
Valuation gain and gain from sale of investment properties	-	-	23,057	35,150	-	-
Fee income from financial services	532,133	464,041	(2,755)	(1,605)	98,631	69,579
Total premiums earned minus claims and benefits	-	-	149,365	(27,910)	-	-
Profit for the year attributable to Group's shareholders	648,500	522,337	307,341	93,082	102,914	118,820
Non-controlling interest	-	-	(1,120)	74	-	-

Notes to the consolidated financial statements (continued)

2. Accounting principles and practices

The consolidated financial statements have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board (henceforth "IASB"). The main accounting practices and principles to September 30, 2015 are consistent from those applied with respect to December 31, 2014 and summarized in the audited report dated March 23, 2015.

These consolidated financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2014 dated March 23, 2015.

3. Cash and due from banks

This item is made up as follows:

	2015	2014
	S/.(000)	S/.(000)
Cash and clearing	1,509,885	1,488,881
Deposits in Central Reserve Bank of Peru – BCRP	3,912,447	3,269,683
Deposits in banks	718,907	688,677
Restricted funds	<u>3,509,697</u>	<u>911,138</u>
	9,650,936	6,358,379
Accrued interest	<u>201</u>	<u>125</u>
Total	<u>9,651,137</u>	<u>6,358,504</u>

As of September 30, 2015 this caption includes approximately US\$1,367,937,000 and S/.912,190,000 (US\$1,274,503,000 and S/.811,605,000 as of December 31, 2014), which represent the legal reserve that Interbank must maintain for its obligations with the public. These funds are held in Interbank and in the Central Reserve Bank of Peru (henceforth "BCRP", for its Spanish acronym) and are within the limits required by prevailing Peruvian regulations at those dates.

The legal reserve funds maintained at the BCRP are non-interest bearing, except for the part that exceeds the minimum reserve required. As of September 30, 2015, the excess in US Dollars amounted to approximately US\$290,905,000, equivalent to approximately S/.937,295,000, and bear interest at an annual average rate of 0.05 % (US\$313,121,000, equivalent to S/.934,980,000, and an annual average rate of 0.04 % as of December 31, 2014). The excess amount in Nuevos Soles amounted to approximately S/.6,291,653,000 and did not accrued interest (S/.243,092,000 and an annual average rate of 0.35 % as of December 31, 2014).

Deposits in banks are mainly in Nuevos Soles and US Dollars. All amounts bear interests at market rates. As of September 30, 2015 and December 31, 2014, the Group does not have significant deposits in any specific financial institution.

As of September 30, 2015, restricted funds caption included US\$989,221 000 equivalent to S/.3,187,271,000 (US\$224,423,000 equivalent to S/.670,127,000 as of December 31, 2014) that correspond to deposits in BCRP as a guarantee for loans received from this entity; see Note 9(d). Additionally, as of September 30, 2015 and December 31, 2014, this caption included S/.322,049,000 and S/.240,715,000, respectively, which mainly relate to requirements from counterparties of derivative financial instruments transactions, see Note (7d).

Notes to the consolidated financial statements (continued)

4. Available-for-sale investments

(a) This item is made up as follow:

	2015				2014			
	Amortized Cost S/.(000)	Unrealized gross amount		Estimated fair value S/.(000)	Amortized Cost S/.(000)	Unrealized gross amount		Estimated fair value S/.(000)
		Gains S/.(000)	Losses S/.(000)			Gains S/.(000)	Losses S/.(000)	
Debt Instruments								
Corporate, leasing and subordinated bonds	3,625,547	12,182	(404,549)	3,233,180	3,351,642	73,979	(126,912)	3,298,709
Peruvian sovereign bonds	1,005,012	49	(159,532)	845,529	1,163,727	1,247	(83,273)	1,081,701
Negotiable Certificates of Deposit issued by BCRP	911,525	6	(3,356)	908,175	429,883	316	(2)	430,197
Mutual funds and investments participations	584,132	28,117	(28,815)	583,434	613,651	31,997	(17,798)	627,850
Bonds guaranteed by the Peruvian Government	417,410	2,877	(20,220)	400,067	316,479	20,599	(5,004)	332,074
Peruvian Global Bonds	334,379	-	(7,246)	327,133	207,076	599	(926)	206,749
Sovereign and Global bonds from foreign countries	140,228	4	(1,201)	139,031	162,932	-	(2,592)	160,340
Indexed Certificates of Deposit issued by BCRP	1,319,067	4,560	-	1,323,627	1,381,319	17,541	(2)	1,398,858
Total	8,337,300	47,795	(624,919)	7,760,176	7,626,709	146,278	(236,509)	7,536,478
Listed shares								
Peruvian and foreign entities	316,281	3,479	(34,579)	285,181	316,786	71,744	(15,508)	373,022
InRetail Perú Corp. (d)	108,377	22,065	(9,943)	120,499	96,142	59,722	-	155,864
Non listed shares and participations				-				
Royalty Pharma (e)	128,253	61,637	(63)	189,827	84,741	83,844	-	168,585
Other	930	-	(406)	524	862	-	(377)	485
	553,841	87,181	(44,991)	596,031	498,531	215,310	(15,885)	697,956
	8,891,141	134,976	(669,910)	8,356,207	8,125,240	361,588	(252,394)	8,234,434
Add – Accrued Interest on investments				68,973				68,742
Total				8,425,180				8,303,176

Notes to the consolidated financial statements (continued)

- (b) The Group has determined that the unrealized losses as of September 30, 2015 and December 31, 2014 are of temporary nature. The Group intends and has the ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value, until the earlier of its anticipated recovery or maturity.

The Group has considered the following criteria in determining whether a loss is temporary or not for equity investments (shares):

- the length of time and the extent to which fair value has been below cost;
- the severity of the impairment;
- the cause of the impairment and the financial condition and near-term prospects of the issuer; and
- activity in the market of the issuer.

The Group has considered the following criteria in determining whether a loss is temporary or not for debt investments (fixed maturity):

- Assess whether it is probable that the Group will receive all amounts due according to the contractual terms of the security (principal and interest). The identification of credit-impaired securities considers a number of factors, including the nature of the security and the underlying collateral, the amount of subordination or credit enhancement supporting the security, published credit rating and other information and other evidentiary analyses of the probable cash flows from the security. If recovery of all amounts due is not probable, a “credit impairment” is deemed to exist and the unrealized loss is recorded directly in the consolidated income statement. This unrealized loss recorded in income represents the security’s decline in fair value, including the decline due to forecasted cash flow shortfalls as well as general market spread widening.
 - For financial instruments with unrealized losses but not identified as impaired, the Group determines whether it has the positive intent and ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in its amortized cost. The Group estimates the forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums). The Group assertion regarding its intent and ability to hold investments considers a number of factors, including a quantitative estimate of the expected recovery period and the length of that period (which may extend to maturity), the severity of the impairment and the Group intended strategy with respect to the identified security or portfolio. If the Group does not have the intent and ability to hold the security for a sufficient time period, the unrealized loss is recorded directly in the consolidated statements of income.
- (c) As a result of the impairment assessment of its investments available-for-sale, the Group recorded an impairment loss amounting to S/.50,895,000 during 2015, which is presented in the caption “Impairment loss on available-for-sale investments” of the consolidated statements of income.

As of September 30, 2015 and December 31, 2014, the detail of unrealized losses on debt instruments recorded as investments available for sale is as follows:

Notes to the consolidated financial statements (continued)

Issuer	2015 S/.(000)	2014 S/.(000)
Peruvian Sovereign bonds	159,532	83,273
Odebrecht S.A.	57,663	22,489
Banco Votorantim S.A.	46,712	6,505
Participations in mutual funds and investment funds	28,815	17,798
Corporación Financiera de Desarrollo S.A.	29,270	15,667
Southern Perú Copper Corporation S.A.A.	26,868	6,884
Vale S.A.	24,650	3,362
Bonds guaranteed by the Peruvian Government	20,220	5,004
H2OImos S.A.	19,432	11,786
Línea Amarilla S.A.C.	16,147	7,920
G y M Ferrovias S.A.	13,028	-
Other less than S/.10,000,000	<u>182,582</u>	<u>55,821</u>
	624,919	236,509

(d) As of September 30, 2015 and December 31, 2014, the Group held 3,118,441 and 2,836,653 shares, which represented 3.03% and 2.76%, of InRetail Perú Corp. (a related entity) capital stock, respectively.

(e) Corresponds to participations in RPI International Holding, LP (RPI Partnership) and Royalty Pharma Cayman Holding, LP (RPS Partnership), which invest in Royalty Pharma Investments and Royalty Pharma Select, respectively, with medical patents and biotechnology investments. The participations in RPI Partnership and RPS Partnership are not liquid and require authorization for their trading.

As of September 30, 2015 and December 31, 2014, the Group held 300,000 and 241,286 participations of RPS Partnership and RPI Partnership, respectively, whose fair values amounted to approximately US\$25,166,000 and US\$33,750,000 (equivalent to approximately S/.81,086,000 and S/.108,742,000, respectively). During 2014, the Group held 354,978 and 251,286 participations of RPS Partnership and RPI Partnership respectively, at their fair value generating a gain of approximately US\$29,822,000 and US\$26,636,000 (equivalent to approximately S/.89,048,000 and S/.79,537,000, respectively).

During 2015, the Group sold 54,978 and 135,000 shares of RPS Partnership and RPI Partnership, at their fair value generating a gain of approximately US\$15,359,000 (equivalent to approximately S/.50,831,000), that was recorded as part of the “Net gain on sale of securities” caption of the consolidated income statements.

During 2014, the Group sold 250,000 shares of RPI Partnership, at their fair value generating a gain of approximately US\$6,635,000 (equivalent to approximately S/.19,812,110), that was recorded as part of the “Net gain on sale of securities” caption of the consolidated income statements.

During the nine-month period ended September 30, 2015, the Group has received dividends from these participations for approximately S/.6,197,000 (S/.3659,000 as of September 2014), which are included in the “Interest and similar income” caption in the consolidated income statements.

Notes to the consolidated financial statements (continued)

5. Loan Portfolio, net

(a) This caption is made up as follows:

	2015 S/.(000)	2014 S/.(000)
Direct loans		
Loans	18,980,336	16,341,735
Credit cards	3,682,348	3,187,954
Leasing	2,043,321	2,179,375
Discounted notes	379,609	372,988
Factoring	182,659	294,687
Advances and overdrafts	97,537	139,026
Refinanced loans	231,036	140,688
Past due and under legal collection loans	<u>567,913</u>	<u>540,659</u>
	26,164,759	23,197,112
Add (less)		
Accrued interest	270,553	256,189
Unearned interest	(23,356)	(16,416)
Allowance for loan losses (b)	<u>(989,280)</u>	<u>(819,678)</u>
Total direct loans, net	<u>25,422,676</u>	<u>22,617,207</u>
Indirect loans	<u>5,270,073</u>	<u>4,483,721</u>

(b) The changes in the allowance for loan losses for the nine-month periods ended September 30, were as follows:

	2015 S/.(000)	2014 S/.(000)
Balance at the start of the period	835,205	707,508
Provision	463,334	319,669
Recoveries of written-off loans	81,860	66,763
Written-off loan portfolio	(389,828)	(294,844)
Translation result	<u>21,430</u>	<u>7,439</u>
Balance at the end of the periods (*)	<u>1,012,001</u>	<u>806,535</u>
Balance as of December 31, 2014 (*)		<u>835,205</u>

(*) The allowance for loan losses includes allowance for indirect loans amounting to S/.22,721,000 and S/.15,527,000 as of September 30, 2015 and December 31, 2014, respectively, which is presented in the "Accounts payable, provisions and other liabilities" caption of the consolidated statements of financial position; see Note 7(a).

In Management's opinion, the allowance for loan losses recorded as of September 30 2015 and December 31, 2014, has been established in accordance with IAS 39 and is sufficient to cover incurred losses on the loan portfolio.

Notes to the consolidated financial statements (continued)

6. Investment property

(a) This item is made up as follow:

	2015 S/.(000)	2014 S/.(000)	Acquisition or construction year	2015 Hierarchy (i)	Valuation methodology	
					2015	2014
Land -						
Piura	36,430	31,118	2009	Level 3	Appraisal	Appraisal
Lurín	23,047	21,420	2012	Level 3	Appraisal + DCF	Appraisal
Talara	8,000	-	2015	Level 3	Cost	-
Nuevo Chimbote	6,995	-	2015	Level 3	Cost	-
Other	14,753	14,187	-	Level 3	Appraisal	Appraisal
	<u>89,225</u>	<u>66,725</u>				
Completed investment property						
Shopping mall "Real Plaza"-						
Pucallpa	220,637	209,615	2014	Level 3	DCF	DCF
Sullana	23,695	81,670	2014	Level 3	Appraisal	DCF
	<u>244,332</u>	<u>291,285</u>				
Buildings -						
Ate Vitarte	45,282	41,116	2006	Level 3	DCF	DCF
Pardo y Aliaga	3,178	3,218	2010	Level 3	DCF	DCF
	<u>48,460</u>	<u>44,334</u>				
Built on leased land -						
Other	1,732	1,900	-	Level 3	DCF	DCF
	<u>1,732</u>	<u>1,900</u>				
Investment property under construction (iii) -						
Land	226,564	223,216	2008	Level 3	Appraisal	Appraisal
Work in progress	84,889	25,421	2015	Level 3	Cost	Cost
	<u>311,453</u>	<u>248,637</u>				
Total investment property	<u>695,202</u>	<u>652,881</u>				

DCF: Discounted cash flow

(i) There were no transfers between levels of hierarchy in the reported period.

(ii) As of September 30, 2015 and December 2014, there were no levies on any investment property.

Notes to the consolidated financial statements (continued)

- (b) The movement of this caption for the nine-month periods ended as of September 30, 2015, and 2014, was as follows:

	2015 S/(000)	2014 S/(000)
Balance as of January 1	652,881	792,423
Additions	76,750	72,959
Sale of property	(58,745)	(287,994)
Fair value adjustment	<u>24,316</u>	<u>29,336</u>
Balance at the end of the period	<u>695,202</u>	<u>606,724</u>
Balance as of December 31, 2014		<u>652,881</u>

Notes to the consolidated financial statements (continued)

7. **Accounts receivable and other assets, net; accounts payable, provisions and other liabilities**

(a) This caption is made up as follows:

	2015	2014
	S/(000)	S/(000)
Accounts receivable and other assets		
Financial instruments		
Accounts receivable related to derivative financial instruments (d)	352,772	241,195
Other accounts receivable, net	303,929	140,661
Operations in process (c)	114,689	103,216
Accounts receivable from sale of investments	108,295	265,789
Insurance operation receivables, net	46,122	13,784
Accounts receivable from reinsurance and coinsurance entities	22,520	8,058
Credit card commissions	15,417	15,542
Accounts receivable to shareholder	-	57,362
Total	963,744	845,607
Non-financial instrument		
Intangible assets, net	168,477	145,836
Value-Added-Tax credit (b)	174,008	241,182
Prepaid expenses	62,157	51,750
Investments in associates	45,498	42,655
Income tax credit	31,340	54,378
Prepaid expenses to related entity	17,633	20,737
Other	10,018	9,167
	509,131	565,705
Total	1,472,875	1,411,312
Accounts payable, provisions and other liabilities		
Financial instruments		
Accounts payable related to derivative financial instruments (d)	369,780	278,430
Other accounts payable	362,312	311,963
Accounts payable for acquisitions of investments	230,589	226,245
Workers' profit sharing and salaries payable	123,698	97,278
Operations in process (c)	123,459	168,936
Accounts payable to reinsurance and coinsurance entities	59,515	6,841
Taxes payable	51,641	13,944
Allowance for indirect loan losses, Note 5(b)	22,721	15,527
	1,343,715	1,119,164
Non-financial instrument		
Deferred fee income	55,467	57,467
Provision for contingencies	30,194	14,881
Other	22,848	11,571
	108,509	83,919
Total	1,452,224	1,203,083

Notes to the consolidated financial statements (continued)

- (b) Corresponds to the Value-Added-Tax resulting from the purchase of goods devoted mostly to grant financial leasing loans, which shall be recovered through the collection of the loans.
- (c) Operations in process include transactions performed in the last days of the month and other similar types of transactions which are reclassified to their final balance sheets accounts in the following month. These transactions do not affect the consolidated results.
- (d) The following table presents as of September 30, 2015 and December 31, 2014 the fair value of derivative financial instruments recorded as an asset or a liability, including their (gross) notional amounts. The notional amount is the derivative's underlying financial instrument and is the base over which changes in fair value are measured.

As of September 30, 2015					
Assets	Liabilities	Notional amount	Maturity	Hedged Instrument	
S/.(000)	S/.(000)	S/.(000)			
Derivatives held for trading (i)					
Forward exchange contracts	52,746	24,891	6,816,950	Between October 2015 and February 2017	
Interest rate swaps	45,226	42,332	2,758,740	Between February 2016 and December 2029	
Currency swaps	248,237	208,047	5,977,458	Between October 2015 and January 2025	
Cross currency swaps (CCS)	2	87,460	189,641	January 11, 2023	
Foreign currency options	6,561	5,532	1,379,050	Between October 2015 and March 2017	
	<u>352,772</u>	<u>368,262</u>	<u>17,121,839</u>		
Derivatives held as hedges -					
Cash flow hedges:					
Interest rate swaps (IRS)	-	1,514	93,722	June 15, 2016	Negotiable notes (DPR)
Interest rate swaps (IRS)	-	4	881	November 4, 2015	Mortgage bonds
	<u>-</u>	<u>1,518</u>	<u>94,603</u>		
	<u>352,772</u>	<u>369,780</u>	<u>17,216,442</u>		

As of December 31, 2014					
Assets	Liabilities	Notional amount	Maturity	Hedged Instrument	
S/.(000)	S/.(000)	S/.(000)			
Derivatives held for trading (i)					
Forward exchange contracts	44,669	95,286	9,198,156	Between January 2015 and January 2016	
Interest rate swaps	19,268	31,899	1,511,488	Between March 2015 and August 2024	
Currency swaps	176,841	88,855	5,294,379	Between January 2015 and September 2024	
Cross currency swaps (CCS)	213	55,406	175,750	January 11, 2023	
Foreign currency options	204	1,868	119,960	Between March 2015 and December 2015	
	<u>241,195</u>	<u>273,314</u>	<u>16,299,733</u>		
Derivatives held as hedges -					
Cash flow hedges:					
Interest rate swaps (IRS)	-	461	39,813	June 15, 2015	Negotiable notes (DPR)
Interest rate swaps (IRS)	-	4,609	162,856	June 15, 2016	Negotiable notes (DPR)
Interest rate swaps (IRS)	-	46	1,633	November 4, 2015	Mortgage bonds
	<u>-</u>	<u>5,116</u>	<u>204,302</u>		
	<u>241,195</u>	<u>278,430</u>	<u>16,504,035</u>		

Notes to the consolidated financial statements (continued)

- (i) Derivatives held for trading are traded mainly to satisfy client's needs. The Group may also take positions with the expectation of profiting from favorable movements in prices or rates.

8. Deposits and obligations

- (a) As of September 30, 2015 and December 31, 2014 this caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Time deposits	10,782,995	10,510,023
Savings deposits	7,919,125	5,076,302
Demand deposits	6,976,281	7,787,146
Other obligations	<u>36,559</u>	<u>7,956</u>
Total	<u>25,714,960</u>	<u>23,381,427</u>

- (b) Interest rates for deposits and obligations are based on market interest rates.
- (c) As of September 30, 2015 and December 31, 2014 approximately S/.7,052,579,000 and S/.6,454,401,000, respectively, of deposits and obligations are covered by the Deposit Insurance Fund.

Notes to the consolidated financial statements (continued)

9. Due to banks and correspondents

(a) This caption is made up as follows:

	30.09.2015 S/(000)	31.12.2014 S/(000)
By type -		
Loans received from foreign entities (b)	1,403,237	1,095,008
Promotional credit lines (c)	1,612,958	1,378,310
Central Reserve Bank of Peru (d)	<u>3,266,624</u>	<u>644,300</u>
	6,282,819	3,117,618
Interest and commissions payable	<u>51,586</u>	<u>23,296</u>
	<u>6,334,405</u>	<u>3,140,914</u>
By term -		
Short term	2,318,950	565,389
Long term	<u>4,015,455</u>	<u>2,575,525</u>
Total	<u>6,334,405</u>	<u>3,140,914</u>

(b) As of September 30, 2015 and December 31, 2014, includes the following:

Entity	Country	Final Maturity	30.09.2015 S/(000)	31.12.2014 S/(000)
Syndicated loans	-	2016	646,135	596,135
Wells Fargo Bank & Co.	United States of America	2016	193,320	89,580
Sumitomo Bank	Japan	Dec- 2015	161,100	-
Bladex	Panama	2018	79,342	140,267
Corporación Andina de Fomento - CAF	Multilateral	2016	80,550	74,650
Bank J. Safra Sarasin AG	Switzerland	Oct- 2015	64,494	-
Bank of Montreal	Canada	Dec- 2015	64,440	-
China Development Bank	China	2016	32,220	44,790
Cobank	United States of America	Oct- 2015	32,220	29,860
RBC Wealth Management	United States of America	2015	-	119,726
Scotiabank Peru S.A.A.	Peru	Nov- 2015	30,000	-
BBVA Banco Continental	Peru	Oct- 2015	<u>19,416</u>	<u>-</u>
			<u>1,403,237</u>	<u>1,095,008</u>

(c) Promotional credit lines represent loans in Nuevos Soles and US Dollars granted by Corporación Financiera de Desarrollo (“COFIDE”). These liabilities are guaranteed by a loan portfolio amounting to S/.1,612,958,000 and S/.1,378,310,000 as of September 30, 2015 and December 31 2014, respectively. These borrowings accrued interest at interest rates that fluctuated between 4.02 % and 9.85 % during 2015 (between 4.00% and 9.85 % as of December 31, 2014), and have maturities between October 2015 and December 2029, as of September 30, 2015 (between January 2015 and April 2028, as of December 31, 2014).

Notes to the consolidated financial statements (continued)

- (d) As of September 30, 2015 corresponds to repo operations with BCRP. These operations have maturities between November 2015 and March 2019 (between December 2015 and July 2016, as of December 31, 2014) and accrued interest with effective rates between 3.00% and 6.16% (3.02% and 3.61% as of December 31, 2014).

Notes to the consolidated financial statements (continued)

10. Bonds, notes and other obligations

(a) This item is made up as follow:

Issuer	Issuance	Annual interest rate	Interest payment	Maturity	Authorized amount (000)	Used amount (000)	Outstanding balances	
							2015 S/.(000)	2014 S/.(000)
Subordinated bonds (b) – First Program								
Interbank	Second (B series)	9.50%	Semiannually	2023	US\$50,000	US\$30,000	96,660	89,580
Interbank	Third (A series)	3.5% + VAC	Semiannually	2023	S/. 135,000	S/. 110,000	110,000	110,000
Interbank	Fifth (A series)	8.50%	Semiannually	2019	S/. 135,000	S/. 3,300	3,300	3,300
Interbank	Sixth (A series)	8.16%	Semiannually	2019	US\$45,000	US\$15,110	48,684	45,118
Interbank	Eighth (A series)	6.91%	Semiannually	2022	S/. 300,000	S/. 137,900	137,900	137,170
Interseguro	First	9.00%	Quarterly	2016	US\$5,000	US\$5,000	16,110	14,930
Interseguro	Second, First Tranch	6.97%	Semiannually	2024	US\$35,000	US\$35,000	112,770	104,510
Interseguro	Second, Second Tranch	6.00%	Semiannually	2024	US\$15,000	US\$15,000	48,330	44,790
							<u>573,754</u>	<u>549,398</u>
Subordinated bonds (b) – Second Program								
Interbank	Second (A Series)	5.81%	Semiannually	2023	S/.450,000	S/.150,000	149,630	149,601
Interbank	Third (A Series)	7.50%	Semiannually	2023	US\$125,000	US\$50,000	159,872	148,829
							<u>309,502</u>	<u>298,430</u>
Subordinated bonds (c) – International Issuance								
Interbank	First	6.625%	Semiannually	2029	US\$300,000	US\$300,000	959,828	889,094
							<u>959,828</u>	<u>889,094</u>
Negotiable notes (DPR)								
IBK DPR Securitizadora (d)		Libor 3M + 2.75% / Libor3M + 3.00%	Quarterly	2014-2015	US\$200,000	US\$200,000	-	39,790
IBK DPR Securitizadora (e)		Libor 3M + 4.25%	Quarterly	2016	US\$121,200	US\$121,200	93,588	162,442
							<u>93,588</u>	<u>202,232</u>
Mortgage bonds – First Program								
Interbank	Second (A and B series)	5.6355% - Libor 6M + 0.90 bps	Semiannually	Nov-2015	US\$10,000	US\$10,000	967	1,792
							<u>967</u>	<u>1,792</u>
International Issuance through Panamanian Branch								
Junior subordinated notes (f)		8.50%	Semiannually	2070	US\$200,000	US\$200,000	630,199	586,357
Senior bonds (g)		5.75%	Semiannually	2020	US\$400,000	US\$400,000	1,280,698	1,185,919
Senior bonds (g)		5.75%	Semiannually	2020	US\$250,000	US\$250,000	784,336	766,810
							<u>2,695,233</u>	<u>2,539,086</u>
Interest payable							<u>123,307</u>	<u>85,256</u>
							<u>4,756,179</u>	<u>4,565,288</u>

Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees and in accordance to SBS rules they qualify as second level equity (Tier 2), in the determination of regulatory capital, see note 12(e).
- (c) Starting in March 2024, interest rate becomes a floating rate equal to the 3 month Libor rate for US dollar deposits plus 576 basis points. Starting at that date and on any interest payment date, Interbank can redeem 100 percent of the bonds without penalties. The principal payment will take place at the maturity date or when Interbank redeems the bonds.

This issuance qualifies in accordance to SBS rules as second level regulatory capital (Tier 2).

- (d) These notes were issued in two tranches, US\$60,000,000 and US\$140,000,000, respectively, and accrue interest at 3 month Libor rate plus a margin between 300 and 275 basis points. They are guaranteed by remittances received by Interbank through SWIFT transfers.

In order to hedge the variable rate component, Interbank has entered into two interest-rate swap agreements, with notional amounts of US\$60,000,000 and US\$140,000,000, respectively, by which it receives the 3 month Libor rate and pays annual fixed rates of 3.70% and 3.75%, respectively. The swaps' payment schedules are identical to those of the notes and were designated as cash flow hedges, see note 7(d).

- (e) These notes are guaranteed by remittances received by Interbank through SWIFT transfers.

In order to hedge the variable rate component, Interbank has entered into an interest-rate swap agreement, with notional amount of US\$121,000,000, by which it receives the 3 month Libor rate plus 425 basis points and pays an annual fixed rate of 7.90 %, starting in September 2009. The swap payment schedule is identical to those of the notes and was designated as a cash-flow hedge, see note 7(d).

- (f) These notes accrue a fixed annual interest rate of 8.50 % for the first ten years, which starting April 2020 becomes a floating rate equal to the 3 month Libor rate for US dollar deposits plus 674 basis points, provided that the floating rate for any interest period will not be less than 10.5% per annum. Starting at that date and on any interest payment date, Interbank can redeem 100 percent of the notes without penalties.

This issuance qualifies as Tier 1 equity. However, the SBS establishes a 17.65 percent limit, which is computed over capital, reserves and retained earnings with capitalization agreement; any excess qualifies as Tier 2 equity.

- (g) Starting in April 2016, Interbank can redeem, on any coupon payment date, these bonds, paying as a penalty an interest rate equal to the United States of America Treasury Bonds rate plus 50 basis points. The principal payment of both issuances will take place at the maturity date of the bonds or when Interbank redeems them.

- (h) International issuances are listed at the Luxembourg Stock Exchange. On the other hand, local and international issuances have standard "covenants" related to financial ratios, use of funds and other administrative matters, which in Management's opinion, do not limit the Group's operations and the Group has complied with at the dates of the consolidated statements of financial position.

Notes to the consolidated financial statements (continued)

11. Insurance contract liabilities

(a) This caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Technical reserves (b)	4,092,780	3,698,020
Claims reserves	<u>125,182</u>	<u>44,987</u>
	<u>4,217,962</u>	<u>3,743,007</u>

(b) As of September 30, 2015 and December 31, 2014 the balance of this caption is made up as follows:

	2015 S/(000)	2014 S/(000)
Annuities	3,820,879	3,437,762
Retirement, disability and survival annuities	120,676	129,349
Life insurance	118,410	98,363
General insurance	<u>32,815</u>	<u>32,546</u>
	<u>4,092,780</u>	<u>3,698,020</u>

Notes to the consolidated financial statements (continued)

(c) The movement of technical reserves disclosed (by type of insurance) for the nine-months periods ended as of September 30, 2015 and, 2014, is as follows:

	2015				
	Annuities S/.(000)	Retirement, disability and survival annuities S/.(000)	Life insurance S/.(000)	General insurance S/.(000)	Total S/.(000)
Balances as of January 1	3,437,762	129,349	98,363	32,546	3,698,020
Claims	492,394	-	2,936	20,606	515,936
Adjustments to prior years claim	(236,190)	(8,673)	14,698	(20,812)	(250,977)
Maturities and recoveries	-	-	(5,278)	-	(5,278)
Exchange differences	126,913	-	7,691	475	135,079
Balances as of September 30	<u>3,820,879</u>	<u>120,676</u>	<u>118,410</u>	<u>32,815</u>	<u>4,092,780</u>

	2014				
	Annuities S/.(000)	Retirement, disability and survival annuities S/.(000)	Life insurance S/.(000)	General insurance S/.(000)	Total S/.(000)
Balances as of January 1	2,823,489	144,193	80,569	22,082	3,070,333
Claims	439,365	-	3,036	30,300	472,701
Adjustments to prior years claim	(39,268)	(14,788)	13,521	(20,516)	(61,051)
Maturities and recoveries	-	-	(5,947)	-	(5,947)
Exchange differences	52,998	-	2,890	209	56,097
Balances as of September 30	<u>3,276,584</u>	<u>129,405</u>	<u>94,069</u>	<u>32,075</u>	<u>3,532,133</u>
Balances as of December 31, 2014					<u>3,698,020</u>

Notes to the consolidated financial statements (continued)

12. Equity

(a) Capital stock and other paid-in capital

As of September 30, 2015 and December 31, 2014, IFS's capital stock is represented by 113,110,864 common shares issued and paid those shares do not have par value and the issued value at US\$9.72 per share.

Due to the reorganization explained in Note 1(b), until August 1, 2014 the effective date of the reorganization, the equity caption "Other paid-in capital" represented Inteligo Group Corp.'s capital stock, which on August 1, 2014 was transferred to the equity caption "Capital stock" to reflect the new shares issued by IFS to effect the reorganization.

As explained in Note 1(b), on August 1, 2014; 19,495,413 shares of IFS, with a price per share of US\$32.7 each equivalent amount in soles of S/.1,782,450,000, were issued to acquire Inteligo Group Corp and IFS recorded a "Capital stock" increase for the fair value of the new shares issued, S/.1,782,450,000. As the share exchange ratio was performed at fair value, and the pooling-of-interest method was used to account for the acquisition, which requires all amounts to be accounted for at their carryover book values, IFS recorded a "Capital stock" decrease of S/.1,536,050,000, which is the amount required to match Inteligo Group Corp.'s capital stock before the reorganization (S/.246,400,000).

IFS's Shareholders Meeting held on April 14, 2015 agreed to distribute dividends corresponding to 2014 for US\$ 180,977,000 (equivalent to approximately S/.564,178,000).

IFS's Shareholders Meeting held on April 7, 2014 agreed to distribute dividends corresponding to 2013 for US\$150,000,000 (equivalent to approximately S/.424,056,000).

(b) Treasury stock held by Subsidiaries

As of September 30, 2015, the Group holds 4,290,999 IFS's shares with acquisition cost amounted to S/.322,126,000 (3,750,459 shares with acquisition cost amounted to S/.285,776,000 as of 31, December, 2014 respectively). These shares and their acquisition cost are presented deducting the capital stock of the company.

(c) Capital surplus

Corresponds to the difference between the par value of shares issued and their sell or exchange value. Capital surplus is presented net of the expenses incurred and related to the issuance of shares and the difference between par value and acquisition costs of treasury stock.

(d) Reserves

The Board Meeting held on March 24, 2015 agreed to record reserves amounting to S / . 2,000,000,000 charged to retained earnings. This agreement was also approved by IFS's Shareholders as of April 14, 2015.

(e) Regulatory capital

IFS and Inteligo Group Corp. are not required to establish shareholders' equity for legal purposes (regulatory capital).

As of September 30, 2015 and December 31, 2014, the shareholders' equity for legal purposes required for Interbank, Interseguro and Inteligo Bank are detailed below:

Notes to the consolidated financial statements (continued)

Interbank's Regulatory Capital

According to the provisions of Legislative Decree No. 1028, Interbank's regulatory capital must be equal to or greater than 10 percent of total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and indirect credits by credit risk. This calculation must include all balance sheet exposures on assets in Peruvian or foreign currency. As of September 30, 2015 and December 31, 2014, the minimum requirement is 10 percent.

In application of Legislative Decree No. 1028, as of September 30, 2015 and December 31, 2014, Interbank maintains the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary):

	30.09.2015	31.12.2014
	S/.(000)	S/.(000)
Total risk weighted assets and credits	34,566,034	30,845,129
Total regulatory capital	5,390,873	4,676,843
Basic regulatory capital (Level 1)	3,487,179	2,959,117
Supplementary regulatory capital (Level 2)	1,903,694	1,717,726
Global regulatory capital ratio	15.60%	15.16%

As of September 30, 2015 and December 31, 2014, Interbank has complied with SBS Resolutions No.2115-2009, No.6328-2009 and No.14354-2009, "Regulations for Regulatory Capital Requirements for Operational Risk", "Market Risk" and "Credit Risk", respectively and their amendments. These resolutions established, mainly, the methodologies to be applied by financial entities to calculate their risk-weighted assets for each type of risk.

Additional Regulatory Capital

In July 2011, the SBS issued Resolution No. 8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equivalent to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rate risk, among others.

Likewise, financial institutions have a term of five years, starting in July 2012, to bring its regulatory capital into compliance with the new requirements. As of September 30, 2015, the percentage of adequacy established by the SBS is 85 percent, therefore the additional regulatory capital requirement for legal purposes estimated by Interbank amounts to approximately S/.624,629,000 (S/.539,937,000 with a 70 percent requirement as of December 31, 2014).

Interseguro's Regulatory Capital -

In accordance with SBS Resolution No. 1124-2006, amended by SBS Resolutions No. 8243-2008, No. 12687-2008 and No. 5587-2009, the regulatory capital must be greater than the amount resulting from the sum of the solvency net equity and the guarantee fund.

Notes to the consolidated financial statements (continued)

The solvency net equity is represented by the greater of the solvency margin or the minimal capital. As of September 30, 2015 and December 31, 2014, the solvency net equity is represented by the solvency margin. The solvency margin is the complementary support that insurance entities must maintain to deal with possible situations of excess claims not foreseen in the estimation of technical reserves.

The guarantee fund represents the additional equity support that insurance entities must maintain to deal with other risks that can affect them and that are not covered by the regulatory net equity, such as investment risk. The guarantee fund is equivalent to 35 percent of the regulatory net equity, calculated in accordance with SBS Resolution No. 1124-2006.

As of September 30, 2015 and December 31, 2014, Interseguro's shareholders' equity for legal purposes is as follows:

	30.09.2015	31.12.2014
	S/.(000)	S/.(000)
Regulatory capital	403,108	420,920
Less:		
Solvency equity (solvency margin)	260,101	214,602
Guarantee fund	91,036	75,110
Surplus	<u>51,972</u>	<u>131,208</u>

Inteligo Bank's Regulatory Capital

The Central Bank of the Bahamas requires Inteligo Bank to maintain capital of not less than 8 percent of its risk weighted assets. Inteligo Bank's capital ratio as of September 30, 2015 and December 31, 2014, is the following:

	30.09.2015	31.12.2014
	US\$(000)	US\$(000)
Total eligible capital	<u>102,684</u>	<u>111,476</u>
Total risk weighed assets	<u>547,996</u>	<u>562,398</u>
Capital adequacy ratio	<u>18.74%</u>	<u>19.82%</u>

Notes to the consolidated financial statements (continued)

13. Tax situation

- (a) IFS and its Subsidiaries incorporated and domiciled in the Republic of Panama and the Commonwealth of the Bahamas – see Note 1(c) – are not subject to any Income Tax, or any taxes on capital gains, equity or property.

As of September 30, 2015 and December 31, 2014, there was no Income Tax liability reflected in the financial statements, for Inteligo Bank, as there is no Income Tax imposed by the Government of The Commonwealth of The Bahamas.

In accordance with current tax regulations in Panama, the branches of Inteligo Bank and Interbank are exempt from the payment of income taxes on profits derived from foreign operations.

- (b) Non-Peruvian resident taxpayers (entities or individuals) are subject to a 6.8% of Income Tax withholding over the gross amount of dividends distributed by Peruvian entities (4.1% as of December 31, 2014). Such Income Tax must be withheld by the Peruvian entity that distributes the dividends.

On the other hand, in accordance with Act No. 30296, the distribution of dividends for the next years will be as follows:

Profit (years)	Dividends tax (%)
2015 and 2016	6.8
2017 and 2018	8.0
2019 onwards	9.3

In this regard, since IFS controls the distribution of dividends, IFS recognizes the amount of said Income Tax in the period to which dividends corresponds. As of September 30, 2015 and 2014, IFS has recorded expenses as provision for income tax on dividends for S/.24,359,000 and S/.12,907,000, respectively, in the consolidated income statements.

- (c) The Group's Subsidiaries incorporated in Peru are subject to Peruvian taxes; hence, they must assess their Income Tax burden on the basis of separate financial statements as of September 30, 2015 and December 31, 2014.

In accordance with Act No. 30296, approved on December 31, 2014, and in force since January 1, 2015, the Income Tax rate applicable, upon deducting the workers' profit sharing, for the following years will be:

Years	%
2015 y 2016	28
2017 y 2018	27
2019 onwards	26

Notes to the consolidated financial statements (continued)

(d) Peruvian Tax Authority – SUNAT

SUNAT is legally entitled to perform tax audits procedures for up to four years subsequent to the date on which the tax return regarding a taxable period must be filed. SUNAT is also entitled to challenge the Income Tax assessment performed by taxpayers in their tax returns. Said years will be considered as from January 1 of the next year in which the tax return was filed.

Currently, the following taxable periods are pending to be reviewed by SUNAT:

- Interbank: Income Tax regarding years 2010 to 2014.
- Interseguro: Income Tax regarding years 2011 and 2014.

On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, Interbank was notified with Tax Assessments and Tax Fine Resolutions regarding the corporate Income Tax borne with respect to the fiscal years 2000 to 2006, Interbank filed Tax Claims and Tax Appeals regarding said Tax Assessments and Tax Fine Resolutions. In March 2009, August 2010 and December 2011; SUNAT solved the Tax Claims regarding fiscal years 2000 to 2006 and Interbank filed new tax appeals. On December 2014, SUNAT issued the Resolution No. 01501400111647 declaring correct part of the appeal filed by Interbank for the Income Tax year 2001. Nevertheless, a part of the appeal was not accepted by SUNAT, therefore Interbank has appealed such Resolution.

During 2013 and 2014, SUNAT accomplished the review about corporate Income Tax borne by Interbank with respect to the fiscal years 2007, 2008 and 2009. As a result, SUNAT issued several Tax Assessment Resolutions, but no additional payment was required. Additionally, for the year 2010, the Bank is under the process of reviewed by SUNAT.

In June 2014, SUNAT notified to Interbank the beginning of the partial audit process for the fiscal year 2011 corresponding to withholding Income Tax to non-Peruvian resident taxpayers.

In September 2014, SUNAT notified to Interbank the beginning of the partial audit process for the fiscal year 2013, corresponding to withholding Income Tax to non-Peruvian resident taxpayers.

In September 2015, SUNAT concluded the audit process about EESALUD for the fiscal year 2011 by Interbank; as a result, SUNAT issued several Tax Assessment Resolutions, but no additional payment was required.

Since tax regulations are subject to interpretation by SUNAT, it is not possible to determine up to date whether such tax audits procedures would result in additional liabilities for the Group's Subsidiaries or not. Therefore, any unpaid tax, penalties or interests that might result from said audit procedures will be recorded in the year in which they are determined. Nevertheless, Management and its legal advisors consider that any additional tax assessments would not have a significant impact on the consolidated financial statements as of September 30, 2015 and December 31, 2014.

Notes to the consolidated financial statements (continued)

14. Interest and similar income and expenses

This caption is made up as follows:

	For the nine-month period ended September 30	
	2015 S/(000)	2014 S/(000)
Financial Income		
Interest and fees on loans	2,119,182	1,833,482
Interest on investments	286,527	207,115
Interest on due from banks and inter-bank funds	5,315	9,994
Other financial income	19,704	18,955
Total	2,430,728	2,069,546
Financial Expenses		
Interest and fees on deposits and obligations	259,010	264,428
Interest on bonds, notes and other obligations	231,373	197,668
Interest and fees on due to banks and correspondents	145,188	99,280
Deposits Insurance fund fees	22,860	20,042
Other financial expenses	3,406	4,719
Total	661,837	586,137
Net interest	1,768,891	1,483,409

15. Fee income from financial services, net

This caption is made up as follows:

	For the nine-month period ended September 30	
	2015 S/(000)	2014 S/(000)
Financial incomes		
Maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services	366,742	319,423
Commissions from banking services	110,480	93,258
Funds management	117,839	84,976
Fees for indirect loans	43,410	39,235
Collection services	19,897	15,923
Brokerage and custody services	6,000	9,344
Other	20,629	16,637
Total	684,997	578,796
Financial expenses		
Insurance	42,864	37,558
Fees paid to foreign banks	6,719	7,408
Brokerage and custody services	1,548	1,377
Other	30,234	25,316
Total	81,365	71,659
Net	603,632	507,137

Notes to the consolidated financial statements (continued)

16. Other income and expenses

This caption is made up as follows:

	For the nine-month period ended September 30	
	2015 S/.(000)	2014 S/.(000)
Other income		
ATM rental income	15,460	14,067
Participation from investments in associates	7,873	9,388
Other technical income from insurance operations	7,423	7,851
Services granted to third parties	5,295	4,563
Income for portfolio sale	8,734	12,404
Other income	<u>18,601</u>	<u>6,454</u>
Total other income	<u>63,386</u>	<u>54,727</u>
Other expenses		
Commissions from insurance activities	16,311	14,799
Provision for indirect loans	21,949	8,355
Sundry technical insurance expenses	11,123	6,159
Other expenses	<u>40,313</u>	<u>43,406</u>
Total other expenses	<u>89,696</u>	<u>72,719</u>

Notes to the consolidated financial statements (continued)

17. Net premiums earned

This caption is made up for the nine-month periods ended September 30, as follows:

	Premiums assumed		Adjustment of technical reserves		Net premiums (*)		Premiums ceded to reinsurers		Net premiums earned	
	(1)	(1)	(2)	(2)	(3) = (1) - (2)	(3) = (1) - (2)	(4)	(4)	(5) = (3) - (4)	(5) = (3) - (4)
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Life insurance										
Annuities (**)	430,588	362,449	(256,204)	(400,097)	174,384	(37,648)	-	(2,521)	174,384	(40,169)
Group life	77,952	67,554	491	(440)	78,443	67,114	(2,397)	(1,076)	76,046	66,038
Individual life	31,337	24,597	(10,510)	(9,739)	20,827	14,858	(1,414)	-	19,413	14,858
Retirement, disability and survival	98,894	399	8,673	14,787	107,567	15,186	(92,385)	53	15,182	15,239
Others	1,808	3,060	(2,276)	(279)	(468)	2,781	(293)	(39)	(761)	2,742
Total Life insurance	640,579	458,059	(259,826)	(395,768)	380,753	62,291	(96,489)	(3,583)	284,264	58,708
Total General insurance	53,908	55,937	206	(9,784)	54,114	46,153	(28)	-	54,086	46,153
Total General	694,487	513,996	(259,620)	(405,552)	434,867	108,444	(96,517)	(3,583)	338,350	104,861

(*) Includes the annual variation of technical reserves and unearned premiums.

(**) The variation of the adjustment of technical reserves is due to variation in current rates with which the technical reserves are determined.

Notes to the consolidated financial statements (continued)

18. Earnings per share

The following table presents the calculation of the weighted average number of shares and the basic and diluted earnings per share, reflecting the reorganization under common control described:

	IFS Outstanding shares	IFS shares considered in computation	Days as of the end of year	Weighted average number of shares
	(in thousands)	(in thousands)		(in thousands)
Period 2014				
Balance as of January 1	90,300	90,300	270	90,300
Contribution of Inteligo Group Corp.	19,495	19,495	270	19,495
Purchase of treasury stock	(677)	(677)	193	(484)
Sales of treasury stock	244	244	104	94
	<u>109,362</u>	<u>109,362</u>		<u>109,405</u>
Balance as of September 30				
Net earnings S/.(000)				687,818
				<u>6.287</u>
Earnings per share (Nuevos Soles)				
Period 2015				
Balance as of January 1	109,360	109,360	270	109,360
Purchases of treasury stock	(562)	(562)	111	(232)
Sales of treasury stock	23	23	95	8
Balance as of September 30	<u>108,820</u>	<u>108,820</u>		<u>109,136</u>
Net earnings attributable to IFS S/.(000)				1,012,271
Earnings per share (Nuevos Soles)				<u>9.275</u>

Notes to the consolidated financial statements (continued)

19. Transactions with related parties and affiliated companies

(a) The table below presents the balances with related parties and affiliated companies as of September 30, 2015 and December 31, 2014:

	2015 S/(000)	2014 S/(000)
Assets		
Trading securities	-	59,323
Investments available-for-sale		
Royalty Pharma, Note 4(e)	189,827	168,585
InRetail Perú Corp. Note 4(d)	120,499	155,864
Corporate Bonds - InRetail Shopping Mall S.A.	9,035	53,953
Corporate Bonds – Colegios Peruanos S.A.C.	34,725	35,000
Corporate Bonds - Cineplex S.A.	13,867	21,527
Corporate Bonds - Financiera Uno S.A.	19,820	19,917
Corporate Bonds - Intercorp Perú Ltd.	7,410	14,524
Loan portfolio, net	770,260	768,060
Derivatives receivable	13,099	9,207
Other assets (e)	21,055	87,553
Liabilities		
Deposits and obligations	298,473	312,276
Derivatives payables	-	1,548
Other liabilities	3,475	6,408
Off-balance sheet accounts		
Indirect loans	184,012	99,172
	For the nine-month period ended September 30	
	2015	2014
Interest and similar income	42,635	38,002
Finance and similar expenses	(2,387)	(4,175)
Rental income	1,866	6,914
Profit from sale of investment properties	(1,259)	5,027
Administrative expenses	(11,360)	(11,148)
Other, net	880	2,190

Notes to the consolidated financial statements (continued)

- (b) As of September 30, 2015 and December 31, 2014, directors, executives and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Banking and Insurance Law, which regulates and establishes credit limits with employees, directors and officers of a bank or an insurance company. At said dates, direct loans granted to employees, directors and key Management amounted to S/.145,369,000 and S/.122,593,000, respectively; said loans are repaid monthly and earn interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with any Subsidiaries' shares.

- (c) The Group's key personnel compensation for the six months periods ended September 30, 2015 and 2014, amounted to S/.14,229,000 and S/.13,065,000, respectively.
- (d) As of December 31, 2014, IFS and its Subsidiaries participate in domestic and foreign mutual and investment funds, recorded as available-for-sale investments which are managed by Interfondos S.A. Sociedad Administradora de Fondos, that amount to S/.7,500,000.
- (e) Corresponds mainly to paid in previous years for concession agreements with Supermercados Peruanos for spaces ceded to Interbank in the stores of Supermercados Peruanos S.A. for the operation of financial stores up to year 2030, and for an amount of approximately S/.17,633,000 and S/.20,737,000 as of September 30, 2015 and December 31, 2014, respectively, see Note 7(a). Interbank may renew the term of the agreement for an additional term of 15 years. Other assets also include accounts receivables from Intercorp Perú for an amount of US\$ 18,674,000 (equivalent to S/.55,761,000) as of December 31, 2014; these accounts generate interest market rates mature between May, 2015 and May 2017; at the date of this report receivable accounts were collected.
- (f) In Management's opinion, transactions with related parties have been performed under normal market conditions and within the limits permitted by SBS, in the case of entities regulated by it. Taxes generated by these transactions and the taxable base used for computing them are those customarily used in the industry and are determined according to prevailing tax standards.

Notes to the consolidated financial statements (continued)

20. Business segments

IFS has the following operating segments based on products and services:

Banking

Principally handling loans, credit facilities, deposits and current accounts.

Insurance

Provider of annuities, traditional life insurance products, as well as other retail focused insurance products.

Wealth management

Provider of financial advisory services and brokerage services.

Notes to the consolidated financial statements (continued)

The following table presents the Group's financial information by business segments for the nine-month periods ended as of September 30, 2015 and 2014:

	As of September 30, 2015					As of September 30, 2014				
	Banking	Insurance	Wealth Management	Corporate and eliminations	Total	Banking	Insurance	Wealth Management	Corporate and eliminations	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Total income										
Third Party	3,069,062	675,989	211,260	(41,836)	3,914,475	2,548,830	369,719	208,554	(46,599)	3,080,504
Inter-segment	(35,796)	(126)	(3,426)	39,348	-	(32,019)	(2,403)	(84)	34,506	-
Total income (*)	3,033,266	675,863	207,834	(2,488)	3,914,475	2,516,811	367,316	208,470	(12,093)	3,080,504
Extracts of results										
Interest and similar income	2,158,872	190,599	99,179	(17,922)	2,430,728	1,863,029	145,873	75,630	(14,986)	2,069,546
Interest and similar expenses	(615,832)	(8,207)	(38,961)	1,163	(661,837)	(545,070)	(5,408)	(36,006)	347	(586,137)
Net interest and similar income	1,543,040	182,392	60,218	(16,759)	1,768,891	1,317,959	140,465	39,624	(14,639)	1,483,409
Provision for loan losses, net of recoveries	(461,455)	-	(1,879)	-	(463,334)	(319,669)	-	-	-	(319,669)
Net interest and similar income after provision for loan losses	1,081,585	182,392	58,339	(16,759)	1,305,557	998,290	140,465	39,624	(14,639)	1,163,740
Fee income from financial services, net	532,133	(2,755)	98,631	(24,377)	603,632	464,041	(1,605)	69,579	(24,878)	507,137
Other income	378,057	149,796	13,450	463	541,766	221,760	120,590	63,345	(6,735)	398,960
Total premiums earned less claims and benefits	-	149,365	-	-	149,365	-	(27,910)	-	-	(27,910)
Depreciation and amortization	(75,020)	(3,269)	(4,425)	-	(82,714)	(73,944)	(2,262)	(2,428)	-	(78,634)
Other expenses	(997,165)	(173,321)	(63,172)	17,155	(1,216,503)	(884,631)	(130,927)	(52,074)	13,029	(1,054,603)
Income before translation result and income tax	919,590	302,208	102,823	(23,518)	1,301,103	725,516	98,351	118,046	(33,223)	908,690
Translation result	(29,014)	6,361	398	5,908	(16,347)	(14,039)	(5,339)	774	3,264	(15,340)
Income tax	(242,076)	(109)	(307)	(24,359)	(266,851)	(189,140)	(4)	-	(12,906)	(202,050)
Profit for the year	648,500	308,461	102,914	(41,969)	1,017,905	522,337	93,008	118,820	(42,865)	691,300
Attributable to:										
Equity holders of the Group	648,500	307,341	102,914	(46,483)	1,012,271	522,337	93,082	118,820	(46,421)	687,818
Attributable to non-controlling interest	-	1,120	-	4,514	5,634	-	(74)	-	3,556	3,482
	648,500	308,461	102,914	(41,969)	1,017,905	522,337	93,008	118,820	(42,865)	691,300

Notes to the consolidated financial statements (continued)

	2015				
	Banking	Insurance	Wealth Management	Corporate and eliminations	Total Consolidated
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
As of September 30, 2015					
Total assets	39,317,501	4,983,050	2,943,200	(349,093)	46,894,658
Total liabilities	35,784,319	4,671,409	2,413,318	(122,928)	42,746,118
For the nine-month period ended September 30, 2015					
Impairment loss on available-for-sale investments	-	(44,759)	(6,136)	-	(50,895)
	2014				
	Banking	Insurance	Wealth Management	Corporate and eliminations	Total Consolidated
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
As of December 31, 2014					
Total assets	32,904,861	4,743,443	2,934,118	(217,195)	40,365,227
Total liabilities	29,628,640	4,052,058	2,455,471	(73,216)	36,062,953
For the nine-month period ended September 30, 2014					
Impairment loss on available-for-sale investments	-	(259)	(6,871)	6,445	(685)

Notes to the consolidated financial statements (continued)

21. Financial instruments classification

Following are presented the carrying amounts of financial assets and liabilities in the consolidated statements of financial position, classified by category in accordance with IAS 39 "Financial Instruments":

	2015					2014					
	Financial assets at fair value through profit or loss held for trading or S/.(000)	Loans and receivables S/.(000)	Investment available-for- sale S/.(000)	Held to maturity investments	Financial liabilities at amortized cost S/.(000)	Total S/.(000)	Financial assets at fair value through profit or loss held for trading or S/.(000)	Loans and receivables S/.(000)	Investment available-for- sale S/.(000)	Financial liabilities at amortized cost S/.(000)	Total S/.(000)
Financial Assets											
Cash and due from banks	-	9,651,137	-	-	-	9,651,137	-	6,358,504	-	-	6,358,504
Inter-bank funds	-	95,443	-	-	-	95,443	-	310,030	-	-	310,030
Trading securities	36,287	-	-	-	-	36,287	105,782	-	-	-	105,782
Investments available-for-sale	-	-	8,425,180	-	-	8,425,180	-	-	8,303,176	-	8,303,176
Loans, net	-	25,422,676	-	-	-	25,422,676	-	22,617,207	-	-	22,617,207
Held to maturity investments	-	-	-	472,911	-	472,911	-	-	-	-	-
Due from customers on acceptances	-	16,693	-	-	-	16,693	-	18,833	-	-	18,833
Accounts receivables and other assets, net	352,772	610,972	-	-	-	963,744	241,195	604,412	-	-	845,607
	<u>389,059</u>	<u>35,796,921</u>	<u>8,425,180</u>	<u>472,911</u>	<u>-</u>	<u>45,084,071</u>	<u>346,977</u>	<u>29,908,986</u>	<u>8,303,176</u>	<u>-</u>	<u>38,559,139</u>
Financial liabilities											
Deposits and obligations	-	-	-	-	25,714,960	25,714,960	-	-	-	23,381,427	23,381,427
Inter-bank funds	-	-	-	-	250,024	250,024	-	-	-	-	-
Due to banks and correspondents	-	-	-	-	6,334,405	6,334,405	-	-	-	3,140,914	3,140,914
Bonds, notes and other obligations	-	-	-	-	4,756,179	4,756,179	-	-	-	4,565,288	4,565,288
Insurance contract liabilities	-	-	-	-	4,217,962	4,217,962	-	-	-	3,743,007	3,743,007
Due from customers on acceptances	-	16,693	-	-	-	16,693	-	18,833	-	-	18,833
Accounts payables, provision and other liabilities	369,780	-	-	-	973,935	1,343,715	278,430	-	-	840,734	1,119,164
	<u>369,780</u>	<u>16,693</u>	<u>-</u>	<u>-</u>	<u>42,247,465</u>	<u>42,633,938</u>	<u>278,430</u>	<u>18,833</u>	<u>-</u>	<u>35,671,370</u>	<u>35,968,633</u>

Notes to the consolidated financial statements (continued)

22. Financial Risk Management

It comprises the management of the main risks that IFS is exposed to because of the nature of its operations: credit risk, market risk, liquidity risk and insurance risk.

- Credit risk: Probability of loss due to inability or lack of willingness to pay of the debtors, counterparts or third parties bound to comply with their contractual obligations.
 - Market risk: Probability of losses in positions on and off-balance sheets derived from variations in market conditions. It generally includes the following risk types: exchange rate, fair value by interest rate type, and price, among others.
 - Liquidity risk: Probability of loss due to noncompliance with the requirements of financing and fund application that arise from imbalances of cash flows.
 - Insurance risk: Probability of losses due to inadequate processes, personnel and information technologies failures, or external events.
- (a) Credit risk management for loan -
IFS classifies its loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each debtor. The categories used are: (i) normal - A, (ii) potential problems - B, (iii) substandard - C, (iv) doubtful - D and (v) loss – E.

Notes to the consolidated financial statements (continued)

The table below presents three groups of direct loans: (i) Non-past-due and non-impaired loans, which comprise direct loans that currently do not present delinquency characteristics and are related to debtors classified as “Normal” and “with Potential problems”; (ii) Past-due but non impaired loans, which comprise past-due loans of debtors classified as “Normal” or “with Potential problems”; and (iii) impaired loans, those past-due loans classified as “Substandard”, “Doubtful” or “Loss”. Also, it is presented the allowance for loan loss for each loan type.

As of September 30, 2015						
	Commercial loans	Mortgage loans	Consumer loans	Micro-business loans	Total	%
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	
Neither past due nor impaired						
Normal	12,053,637	4,084,995	7,181,628	798,330	24,118,590	95
Potential problems	109,196	28,741	77,645	11,283	226,865	1
	<u>12,162,833</u>	<u>4,113,736</u>	<u>7,259,273</u>	<u>809,613</u>	<u>24,345,455</u>	
Past due but not impaired						
Normal	92,099	187,224	568	32,119	312,010	3
Potential problems	38,843	63,028	227,926	20,143	349,940	1
	<u>130,942</u>	<u>250,252</u>	<u>228,494</u>	<u>52,262</u>	<u>661,950</u>	
Impaired						
Substandard	42,982	71,745	179,979	16,355	311,061	1
Doubtful	20,746	63,912	269,497	23,663	377,818	2
Loss	96,374	115,550	221,158	35,393	468,475	2
	<u>160,102</u>	<u>251,207</u>	<u>670,634</u>	<u>75,411</u>	<u>1,157,354</u>	
Total loan portfolio, gross (*)	<u>12,453,877</u>	<u>4,615,195</u>	<u>8,158,401</u>	<u>937,286</u>	<u>26,164,759</u>	104
Less: Allowance for loan losses	<u>162,390</u>	<u>42,961</u>	<u>692,229</u>	<u>91,700</u>	<u>989,280</u>	4
Total, net	<u>12,291,487</u>	<u>4,572,234</u>	<u>7,466,172</u>	<u>845,586</u>	<u>25,175,479</u>	100

(*) Does not include accrued interest, unearned interest or interest collected in advance.

Notes to the consolidated financial statements (continued)

	As of December 31, 2014					
	Commercial			Micro-business	Total	%
	loans	Mortgage loans	Consumer loans	loans		
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	
Neither past due nor impaired						
Normal	10,802,149	3,594,485	6,263,806	508,797	21,169,237	95
Potential problem	115,836	15,106	48,466	2,735	182,143	1
	<u>10,917,985</u>	<u>3,609,591</u>	<u>6,312,272</u>	<u>511,532</u>	<u>21,351,380</u>	
Past due but not impaired						
Normal	185,786	288,883	4,429	11,500	490,598	2
Potential problem	42,288	64,542	180,195	11,043	298,068	1
	<u>228,074</u>	<u>353,425</u>	<u>184,624</u>	<u>22,543</u>	<u>788,666</u>	
Impaired						
Substandard	130,340	57,510	142,702	8,038	338,590	1
Doubtful	34,928	59,854	256,771	8,254	359,807	2
Loss	57,515	81,579	195,546	24,029	358,669	2
	<u>222,783</u>	<u>198,943</u>	<u>595,019</u>	<u>40,321</u>	<u>1,057,066</u>	
Total loan portfolio, gross	<u>11,368,842</u>	<u>4,161,959</u>	<u>7,091,915</u>	<u>574,396</u>	<u>23,197,112</u>	104
Less: Provision for loan losses	<u>144,444</u>	<u>29,490</u>	<u>576,913</u>	<u>68,831</u>	<u>819,678</u>	4
Total, net	<u>11,224,398</u>	<u>4,132,469</u>	<u>6,515,002</u>	<u>505,565</u>	<u>22,377,434</u>	100

- (i) In accordance with IFRS 7, total loan balance is considered past due when debtors have failed to make a payment when contractually due.
- (ii) As of September 30, 2015 and December 31, 2014, loans amounting to approximately S/.661,950,000 and S/.788,666,000, respectively, were not impaired and were past due mainly for less than 30 days.
- (iii) As of September 30, 2015 and December 31, 2014, refinanced loans amounted to S/.231,036,000, and S/.140,688,000, respectively. Past due refinanced loans amounted to S/.29,701,000, and S/.24,072,000, respectively, out of which S/.4,819,000 and S/. 241,000, respectively, are classified as past-due and not-impaired; and S/.24,883,000 and S/.23,831,000, are impaired, respectively.

Notes to the consolidated financial statements (continued)

Foreign exchange risk

The Group is exposed to the effects of fluctuations in the exchange rates of foreign currency prevailing on its financial position and cash flows. Managements of the Subsidiaries set limits on the levels of exposure by currency and in total "overnight" transactions, which are monitored daily. Most of the assets and liabilities in foreign currency are stated in US dollars. Transactions in foreign currency are accounted for by using exchange rates prevailing on the market.

As of September 30, 2015, the market exchange rate published by the SBS for transactions in US Dollars was S/3.220 per US\$1.00 bid and S/3.223 per US\$1.00 ask (S/2.981 and S/2.989 as of December 31, 2014, respectively). As of September 30, 2015, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.222 per US\$1.00 (S/2.986 as of December 31, 2014).

The table below presents a detail of the Group's currency position:

	As of September 30, 2015				As of December 31, 2014			
	U.S. Dollars S/.(000)	Nuevos soles S/.(000)	Other currency S/.(000)	Total S/.(000)	U.S. Dollars S/.(000)	Nuevos soles S/.(000)	Other currency S/.(000)	Total S/.(000)
Assets								
Cash and due from bank	8,562,643	799,385	289,109	9,651,137	5,145,412	992,535	220,557	6,358,504
Inter-bank funds	64,440	31,003	-	95,443	-	310,030	-	310,030
Trading security	30,172	6,115	-	36,287	89,972	15,810	-	105,782
Investment available-for-sale	5,496,568	2,904,121	24,491	8,425,180	5,598,924	2,639,244	65,008	8,303,176
Investment held to maturity	-	472,911	-	472,911	-	-	-	-
Loans, net	8,562,660	16,860,016	-	25,422,676	9,340,865	13,276,342	-	22,617,207
Due from customers on acceptances	16,693	-	-	16,693	18,833	-	-	18,833
Accounts receivables and other assets, net	368,927	582,967	11,850	963,744	283,397	561,168	1,042	845,607
	<u>23,102,103</u>	<u>21,656,518</u>	<u>325,450</u>	<u>45,084,071</u>	<u>20,477,403</u>	<u>17,795,129</u>	<u>286,607</u>	<u>38,559,139</u>
Liabilities								
Deposits and obligations	13,923,200	11,595,452	196,308	25,714,960	11,372,473	11,819,919	189,035	23,381,427
Inter-bank funds	-	250,024	-	250,024	-	-	-	-
Due to banks and correspondents	1,791,223	4,543,182	-	6,334,405	1,415,497	1,725,417	-	3,140,914
Bonds, notes and other obligations	4,325,951	430,228	-	4,756,179	4,138,794	426,494	-	4,565,288
Due from customers on acceptances	16,693	-	-	16,693	18,833	-	-	18,833
Insurance contract liabilities	1,851,733	2,366,229	-	4,217,962	1,821,767	1,921,240	-	3,743,007
Accounts payables, provision and other liabilities	363,003	975,077	5,635	1,343,715	290,127	811,213	17,824	1,119,164
	<u>22,271,803</u>	<u>20,160,192</u>	<u>201,943</u>	<u>42,633,938</u>	<u>19,057,491</u>	<u>16,704,283</u>	<u>206,859</u>	<u>35,968,633</u>
Forward position, net	(2,959,784)	3,050,477	(90,693)	-	(3,785,182)	3,815,565	(30,383)	-
Currency swaps position, net	3,702,501	(3,702,501)	-	-	3,816,609	(3,816,609)	-	-
Cross currency swaps position, net	-	-	-	-	(175,750)	175,750	-	-
Foreign currency options, net	(354,786)	354,786	-	-	(57,096)	57,096	-	-
Net monetary position	<u>1,218,231</u>	<u>1,199,088</u>	<u>32,814</u>	<u>2,450,133</u>	<u>1,218,493</u>	<u>1,322,648</u>	<u>49,365</u>	<u>2,590,506</u>

As of September 30, 2015, the Group granted indirect loans (contingent operations) in foreign currency for approximately US\$ 877,020,000, equivalent to S/2,825,757,000 (US\$715,957,000, equivalent to S/2,137,848,000 as of December 31, 2014).

Notes to the consolidated financial statements (continued)

23. Fair value

(a) Determination of fair value and fair value hierarchy of financial instruments

The following table analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statements of financial position:

	As of September 30, 2015				As of December 31, 2014			
	Level 1 S/.(000)	Level 2 S/.(000)	Level 3 S/.(000)	Total S/.(000)	Level 1 S/.(000)	Level 2 S/.(000)	Level 3 S/.(000)	Total S/.(000)
Assets								
Trading securities	36,287	-	-	36,287	46,235	59,547	-	105,782
Available-for-sale investments								-
Debt instruments	3,986,217	3,190,525	-	7,176,742	4,579,505	2,329,123	-	6,908,628
InRetail Perú Corp.	120,499	-	-	120,499	155,864	-	-	155,864
Royalty Pharma	-	-	189,827	189,827	-	-	168,585	168,585
Mutual funds and investments participations	191,977	88,051	303,406	583,434	258,508	123,214	246,128	627,850
Peruvian and foreign entities and other shares	285,035	670	-	285,705	372,836	671	-	373,507
Derivatives receivable	-	352,772	-	352,772	-	241,195	-	241,195
	<u>4,620,015</u>	<u>3,632,018</u>	<u>493,233</u>	<u>8,745,266</u>	<u>5,412,948</u>	<u>2,753,750</u>	<u>414,713</u>	<u>8,581,411</u>
Accrued interest				68,973				68,742
				<u>8,814,239</u>				<u>8,650,153</u>
Liabilities								
Derivatives payable	-	369,780	-	369,780	-	278,430	-	278,430

Financial assets included in Level 1 are those measured on the basis of information that is available in the market, to the extent that their quoted prices reflect an active and liquid market and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

Financial instruments included in Level 2 are valued with the market prices of other instruments possessing similar characteristics or with financial valuation models based on information of variables that can be available on the market (interest rate curves, price vectors, etc.). The Group uses this method mainly to value derivative financial instruments.

Financial assets included in Level 3 are valued by using assumptions and data that do not correspond to prices of operations traded on the market. Fair value is estimated using a discounted cash flow (DCF) model. The valuation requires Management to make certain assumptions about the model inputs, including forecast cash flow, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in Management's estimate of fair value for these unquoted investment.

Notes to the consolidated financial statements (continued)

(b) Financial instruments not measured at fair value

The table below presents the disclosure of the comparison between the carrying amounts and fair values of the Group's financial instruments that are not measured at fair value, presented by level of the fair value hierarchy as of September 30, 2015 and December 31, 2014:

	As of September 30, 2015					As of December 31, 2014				
	Level 1	Level 2	Level 3	Fair Value	Book value	Level 1	Level 2	Level 3	Fair value	Book value
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Assets										
Cash and due from banks	-	9,651,137	-	9,651,137	9,651,137	-	6,358,504	-	6,358,504	6,358,504
Inter-bank funds	-	95,443	-	95,443	95,443	-	310,030	-	310,030	310,030
Loans, net	-	25,758,779	-	25,758,779	25,422,676	-	22,881,181	-	22,881,181	22,617,207
Held to maturity Investments	-	472,911	-	472,911	472,911	-	-	-	-	-
Due from customers on acceptances	-	16,693	-	16,693	16,693	-	18,833	-	18,833	18,833
Accounts receivable and other assets	-	610,972	-	610,972	610,972	-	604,412	-	604,412	604,412
Total	-	36,605,935	-	36,605,935	36,269,832	-	30,172,960	-	30,172,960	29,908,986
Liabilities										
Deposits and obligations	-	25,714,421	-	25,714,421	25,714,960	-	23,378,763	-	23,378,763	23,381,427
Inter-bank funds	-	250,024	-	250,024	250,024	-	-	-	-	-
Due to banks and correspondents	-	6,359,491	-	6,359,491	6,334,405	-	3,151,772	-	3,151,772	3,140,914
Bonds, notes and notes issued	-	4,980,338	-	4,980,338	4,756,179	-	4,864,883	-	4,864,883	4,565,288
Insurance contract liabilities	-	4,217,962	-	4,217,962	4,217,962	-	3,743,007	-	3,743,007	3,743,007
Due from customers on acceptances	-	16,693	-	16,693	16,693	-	18,833	-	18,833	18,833
Accounts payable and other liabilities	-	973,935	-	973,935	973,935	-	840,734	-	840,734	840,734
Total	-	42,512,864	-	42,512,864	42,264,158	-	35,997,992	-	35,997,992	35,690,203

Notes to the consolidated financial statements (continued)

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments and include the following:

- i. Long-term fixed-rate and variable-rate loans are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these loans. As of September 30, 2015 and December 31, 2014, the carrying amounts of the loans, net of provisions, were not significantly different from their fair values calculated.
- ii. Assets whose fair values approximate their carrying value - For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable-rate financial instruments.
- iii. Fixed-rate financial instruments - The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments for the remaining term to maturity. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for financial instruments with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. When quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

24. Fiduciary activities and management of funds

The Group provides custody, trustee, investment management and advisory services to third parties; therefore, the Group makes allocations and purchase and sale decisions in relation to a wide range of financial instruments. Assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

As of September 30, 2015 and December 31, 2014, the assigned value of the financial assets under administration is as follows:

	2015 S/.(000)	2014 S/.(000)
Investments funds	10,056,632	8,422,056
Mutual Funds	2,697,068	2,568,649
Total	12,753,700	10,990,705